



**Auditor of State
Betty Montgomery**

**JACKSON MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Jackson Milton Local School District
Mahoning County
14110 Mahoning Avenue
North Jackson, Ohio 44451

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson Milton Local School District, Mahoning County, Ohio (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson Milton Local School District, Mahoning County, Ohio, as of June 30, 2004, and the respective changes in financial position, thereof and the budgetary comparisons for the General Fund and Emergency Levy Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2004, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.



Betty Montgomery
Auditor of State

February 14, 2006

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

The discussion and analysis of the Jackson-Milton Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2004 are as follows:

- In total, net assets of governmental activities increased \$60,551 which represents a 3.79% increase from 2003.
- General revenues accounted for \$7,543,257 in revenue or 87.72% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,055,992 or 12.28% of total revenues of \$8,599,249.
- The District had \$8,538,698 in expenses related to governmental activities; \$1,055,992 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$7,543,257 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and emergency levy fund. The general fund had \$6,103,131 in revenues and other financing sources and \$6,008,495 in expenditures and other financing uses. During fiscal year 2004, the general fund's fund balance increased \$94,636 from \$297,698 to \$392,334.
- The District's emergency levy fund had \$1,422,840 in revenues and \$1,410,333 in expenditures. During fiscal year 2004, the emergency levy fund's fund balance increased \$12,507 from a deficit of \$7,382 to a balance of \$5,125.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and emergency levy fund are by far the most significant funds, and the only governmental funds reported as major funds.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and emergency levy fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-20 of this report.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 21 and 22. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-50 of this report.

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole. This is the first year for government-wide financial statements using the full accrual basis of accounting; therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

The table below provides a summary of the District's net assets for 2004.

	Net Assets
	Governmental Activities <u>2004</u>
<u>Assets</u>	
Current and other assets	\$ 6,633,613
Capital assets	<u>1,778,715</u>
Total assets	<u>8,412,328</u>
<u>Liabilities</u>	
Current liabilities	5,537,628
Long-term liabilities	<u>1,215,898</u>
Total liabilities	<u>6,753,526</u>
<u>Net Assets</u>	
Invested in capital assets, net of related debt	1,163,129
Restricted	319,281
Unrestricted	<u>176,392</u>
Total net assets	<u>\$ 1,658,802</u>

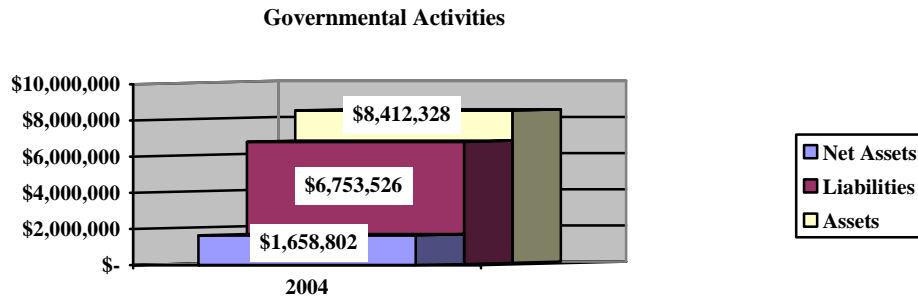
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's assets exceeded liabilities by \$1,658,802. Of this total, \$176,392 is unrestricted in use.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

At year-end, capital assets represented 21.07% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2004, were \$1,163,129. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$319,281, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$176,392 may be used to meet the District's ongoing obligations to the students and creditors.



The table below shows the change in net assets for fiscal year 2004. Since this is the first year the District has prepared government-wide financial statements using the full accrual basis of accounting, revenue and expense comparisons to fiscal year 2003 are not available. A comparative analysis will be provided in future years when prior year information is available.

Change in Net Assets

	Governmental Activities 2004
<u>Revenues</u>	
Program revenues:	
Charges for services and sales	\$ 339,135
Operating grants and contributions	676,978
Capital grants and contributions	39,879
General revenues:	
Property taxes	4,445,741
Grants and entitlements	3,002,536
Investment earnings	12,776
Other	82,204
Total revenues	8,599,249

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

Change in Net Assets

	Governmental Activities 2004
<u>Expenses</u>	
Program expenses:	
Instruction:	
Regular	\$ 4,112,216
Special	741,232
Vocational	190,649
Support services:	
Pupil	192,899
Instructional staff	229,819
Board of education	79,128
Administration	695,497
Fiscal	383,294
Operations and maintenance	716,656
Pupil transportation	593,291
Food service operations	264,442
Extracurricular activities	316,336
Interest and fiscal charges	<u>23,239</u>
Total expenses	<u>8,538,698</u>
Change in net assets	60,551
Net assets at beginning of year	1,598,251
Net assets at end of year	<u>\$ 1,658,802</u>

Governmental Activities

Net assets of the District's governmental activities increased \$60,551. Total governmental expenses of \$8,538,698 were offset by program revenues of \$1,055,992 and general revenues of \$7,543,257. Program revenues supported 12.37% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 86.62% of total governmental revenue.

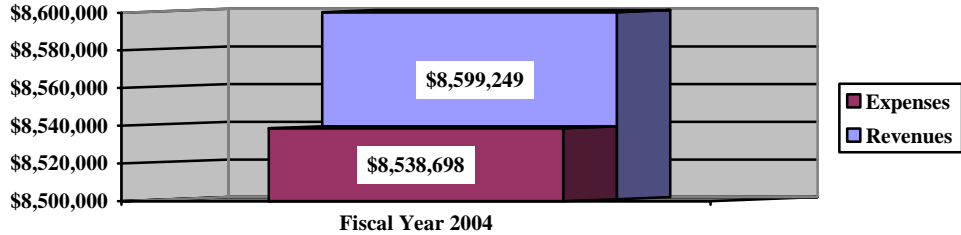
The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,044,097 or 59.07% of total governmental expenses for fiscal 2004.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2004.

Governmental Activities - Revenues and Expenses



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. Comparisons to 2003 have not been presented since they are not available.

Governmental Activities

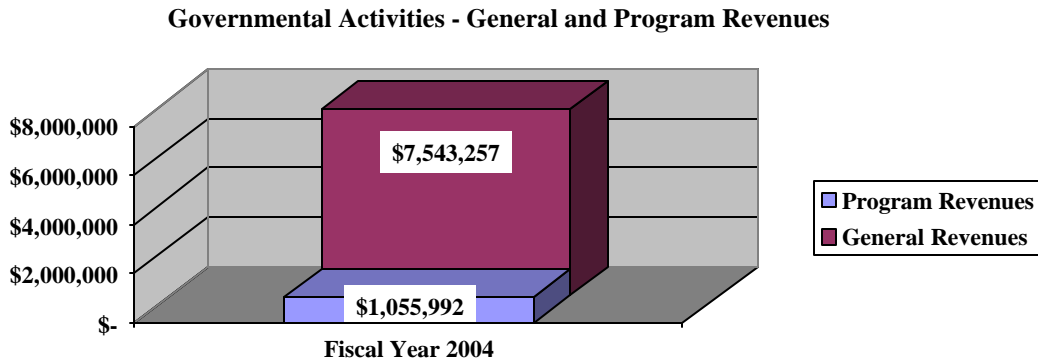
	Total Cost of Services 2004	Net Cost of Services 2004
Program expenses		
Instruction:		
Regular	\$ 4,112,216	\$ 3,666,428
Special	741,232	496,139
Vocational	190,649	190,649
Support services:		
Pupil	192,899	191,841
Instructional staff	229,819	212,094
Board of education	79,128	79,128
Administration	695,497	693,407
Fiscal	383,294	378,294
Operations and maintenance	716,656	716,656
Pupil transportation	593,291	593,291
Food service operations	264,442	(7,580)
Extracurricular activities	316,336	249,120
Interest and fiscal charges	23,239	23,239
Total expenses	<u>\$ 8,538,698</u>	<u>\$ 7,482,706</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 86.30% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 87.63%. The District's taxpayers, as a whole, are by far the primary support for District's students.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

The graph below presents the District's governmental activities revenue for fiscal year 2004.



The District's Funds

The District's governmental funds reported a combined fund balance of \$550,700, which is lower than last year's total of \$794,081. The June 30, 2003 fund balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	Fund Balance <u>June 30, 2004</u>	Fund Balance <u>June 30, 2003</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ 392,334	\$ 297,698	\$ 94,636	31.79 %
Emergency Levy	5,125	(7,382)	12,507	169.43 %
Other Governmental	<u>153,241</u>	<u>503,765</u>	<u>(350,524)</u>	(69.58) %
Total	<u>\$ 550,700</u>	<u>\$ 794,081</u>	<u>\$ (243,381)</u>	(30.65) %

General Fund

The District's general fund balance increased \$94,636 (after a restatement to the June 30, 2003, fund balance which is detailed in Note 3.A. to the basic financial statements). The increase in fund balance can be attributed to several items related to increasing revenues and increased expenditures. Revenues exceed expenditures for fiscal year 2004 by \$146,651. On March 3, 2004 the Governor of the State of Ohio issued an executive order to reduce funding to school districts to help offset the state's fiscal year deficit. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 2,933,108	\$ 2,864,975	\$ 68,133	2.38 %
Tuition	128,755	63,007	65,748	104.35 %
Earnings on investments	12,776	22,347	(9,571)	(42.83) %
Intergovernmental	2,992,973	2,896,522	96,451	3.33 %
Other revenues	<u>33,825</u>	<u>40,910</u>	<u>(7,085)</u>	<u>(17.32) %</u>
Total	<u>\$ 6,101,437</u>	<u>\$ 5,887,761</u>	<u>\$ 213,676</u>	<u>3.63 %</u>
<u>Expenditures</u>				
Instruction	\$ 2,995,430	\$ 2,947,511	\$ 47,919	1.63 %
Support services	2,750,873	2,539,188	211,685	8.34 %
Extracurricular activities	<u>208,483</u>	<u>201,727</u>	<u>6,756</u>	<u>3.35 %</u>
Total	<u>\$ 5,954,786</u>	<u>\$ 5,688,426</u>	<u>\$ 266,360</u>	<u>4.68 %</u>

Emergency Levy Fund

The District's emergency levy fund had \$1,422,840 in revenues and \$1,410,333 in expenditures. During fiscal year 2004, the emergency levy fund's fund balance increased \$12,507 from a deficit of \$7,382 to a balance of \$5,125.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal 2004, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$5,947,439 and final budgeted revenues and other financing sources were \$6,124,046. Actual revenues and other financing sources for fiscal 2004 was \$6,124,996. This represents a \$950 increase from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$5,918,436 were increased to \$5,960,176 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2004 totaled \$5,993,586, which was \$33,410 higher than the final budget appropriations.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2004, the District had \$1,778,715 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2004 balances compared to 2003:

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2004	2003
Land	\$ 465,231	\$ 158,231
Land improvements	226,800	248,133
Building and improvements	528,001	584,352
Furniture and equipment	180,117	287,604
Vehicles	378,566	292,551
 Total	 \$ 1,778,715	 \$ 1,570,871

The overall increase in capital assets of \$207,844 is due to the purchase of land.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2004, the District had \$205,004 in energy conservation notes and \$20,000 in general obligation bonds outstanding. Of this total, \$40,000 is due within one year and \$185,004 is due within greater than one year. The following table summarizes the bonds and loans outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2004	2003
Energy conservation notes	\$ 205,004	\$ 220,004
General obligation bonds	20,000	40,000
 Total	 \$ 225,004	 \$ 260,004

At June 30, 2004, the District's overall legal debt margin was \$12,778,773, and an unvoted debt margin of \$141,986.

See Note 11 to the basic financial statements for additional information on the District's debt administration.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

Current Financial Related Activities

The District faces many challenges in the future. The District relies heavily upon State support for revenue. With the proposed elimination of a portion or all of the personal property tax, the District will be forced to ask local taxpayers for more money. The District is also on a fixed guarantee funding formula based on fiscal year 1998 levels. There is a chance this funding level will cease and the local taxpayers will once again have to make up the difference of approximately four mills. The District is in a situation where an operating levy may have to be approved by voters in 2005 or 2006. Without the passage of a levy, future reductions appear inevitable.

The District is in the midst of a building project. A new 6-12 facility is on the May 6, 2006 ballot. Approximately \$14.5 million will be spent on this building at a cost of 5.8 mills for the voters. If passed, construction is expected to begin in two years. The building will be designed to meet OSFC guidelines for reimbursement in future years.

The last challenge facing the District is the future of State funding. The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. At this time, the District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

The District has been adversely affected by open enrollment and community school education options. In response, the Board of Education declared the District open to every district in the State. This move has softened the financial blow and is beginning to offset some of the financial loss.

The District's system of budgeting and internal controls is well regarded. All of the District's financial abilities will be needed to meet the financial challenges of the future.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. John C. Zinger, Treasurer, Jackson-Milton Local School District, 14110 Mahoning Avenue, North Jackson, Ohio 44451.

**BASIC
FINANCIAL STATEMENTS**

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2004

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 1,691,531
Receivables:	
Taxes	4,881,518
Accounts	11,962
Intergovernmental	31,382
Prepayments	12,847
Materials and supplies inventory	4,373
Capital assets:	
Land	465,231
Depreciable capital assets, net	1,313,484
Capital assets, net.	<u>1,778,715</u>
 Total assets.	 <u>8,412,328</u>
Liabilities:	
Accounts payable.	21,013
Accrued wages and benefits	870,962
Pension obligation payable.	179,320
Intergovernmental payable	50,676
Deferred revenue	4,414,383
Accrued interest payable	1,274
Long-term liabilities:	
Due within one year.	276,107
Due within more than one year	939,791
 Total liabilities	 <u>6,753,526</u>
Net Assets:	
Invested in capital assets, net of related debt.	1,163,129
Restricted for:	
Capital projects	127,248
Debt service.	3,287
Other purposes	188,746
Unrestricted.	<u>176,392</u>
 Total net assets	 <u>\$ 1,658,802</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities:					
Instruction:					
Regular	\$ 4,112,216	\$ 147,160	\$ 258,749	\$ 39,879	\$ (3,666,428)
Special	741,232	-	245,093	-	(496,139)
Vocational	190,649	-	-	-	(190,649)
Support services:					
Pupil.	192,899	-	1,058	-	(191,841)
Instructional staff	229,819	-	17,725	-	(212,094)
Board of education	79,128	-	-	-	(79,128)
Administration.	695,497	-	2,090	-	(693,407)
Fiscal.	383,294	-	5,000	-	(378,294)
Operations and maintenance	716,656	-	-	-	(716,656)
Pupil transportation.	593,291	-	-	-	(593,291)
Operation of non-instructional services:					
Food service operations	264,442	124,759	147,263	-	7,580
Extracurricular activities.	316,336	67,216	-	-	(249,120)
Interest and fiscal charges	23,239	-	-	-	(23,239)
Total governmental activities	<u>\$ 8,538,698</u>	<u>\$ 339,135</u>	<u>\$ 676,978</u>	<u>\$ 39,879</u>	<u>(7,482,706)</u>
General Revenues:					
Property taxes levied for:					
General purposes					2,905,373
Special revenue					1,251,249
Debt service.					27,278
Capital projects					261,841
Grants and entitlements not restricted to specific programs.					3,002,536
Investment earnings					12,776
Miscellaneous					82,204
Total general revenues.					<u>7,543,257</u>
Change in net assets					60,551
Net assets at beginning of year (restated) .					<u>1,598,251</u>
Net assets at end of year					<u>\$ 1,658,802</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	<u>General</u>	<u>Emergency Levy</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 1,486,435	\$ 12,758	\$ 192,338	\$ 1,691,531
Receivables:				
Taxes.	3,203,938	1,362,729	314,851	4,881,518
Accounts	10,501	-	1,461	11,962
Intergovernmental	-	-	31,382	31,382
Prepayments	12,847	-	-	12,847
Materials and supplies inventory	-	-	4,373	4,373
Total assets	<u>\$ 4,713,721</u>	<u>\$ 1,375,487</u>	<u>\$ 544,405</u>	<u>\$ 6,633,613</u>
Liabilities:				
Accounts payable	\$ 19,222	\$ -	\$ 1,791	\$ 21,013
Accrued wages and benefits	806,072	-	64,890	870,962
Compensated absences payable	153,708	-	-	153,708
Pension obligation payable.	98,785	-	4,616	103,401
Intergovernmental payable.	39,662	7,633	3,381	50,676
Deferred revenue.	3,203,938	1,362,729	316,486	4,883,153
Total liabilities	<u>4,321,387</u>	<u>1,370,362</u>	<u>391,164</u>	<u>6,082,913</u>
Fund Balances:				
Reserved for encumbrances	37,692	-	22,094	59,786
Reserved for materials and supplies inventory.	-	-	4,373	4,373
Reserved for prepayments	12,847	-	-	12,847
Unreserved:				
Designation for budget stabilization.	264,284	-	-	264,284
Undesignated, reported in:				
General fund	77,511	-	-	77,511
Special revenue funds.	-	5,125	44,223	49,348
Capital projects funds.	-	-	82,551	82,551
Total fund balances.	<u>392,334</u>	<u>5,125</u>	<u>153,241</u>	<u>550,700</u>
Total liabilities and fund balances	<u>\$ 4,713,721</u>	<u>\$ 1,375,487</u>	<u>\$ 544,405</u>	<u>\$ 6,633,613</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2004

Total governmental fund balances		\$ 550,700
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,778,715
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 467,135	
Intergovernmental revenue	<u>1,635</u>	
Total		468,770
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	446,604	
Pension obligation payable	75,919	
Energy conservation notes	205,004	
General obligation bonds payable	20,000	
Capital lease obligation	89,582	
Lease purchase agreement	301,000	
Accrued interest payable	<u>1,274</u>	
Total		<u>(1,139,383)</u>
Net assets of governmental activities		<u><u>\$ 1,658,802</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>General</u>	<u>Emergency Levy</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 2,933,108	\$ 1,261,203	\$ 292,307	\$ 4,486,618
Tuition.	128,755	-	-	128,755
Earnings on investments.	12,776	-	-	12,776
Charges for services.	-	-	124,759	124,759
Extracurricular.	-	-	67,216	67,216
Classroom materials and fees	-	-	15,302	15,302
Other local revenues.	33,825	-	49,763	83,588
Intergovernmental - Intermediate.	18,565	-	-	18,565
Intergovernmental - State.	2,974,408	161,637	119,305	3,255,350
Intergovernmental - Federal	-	-	447,291	447,291
Total revenue	<u>6,101,437</u>	<u>1,422,840</u>	<u>1,115,943</u>	<u>8,640,220</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,330,995	1,386,508	143,567	3,861,070
Special.	475,160	-	263,525	738,685
Vocational.	189,275	-	-	189,275
Support services:				
Pupil.	190,630	-	1,058	191,688
Instructional staff	190,535	-	17,865	208,400
Board of education	79,128	-	-	79,128
Administration.	680,989	-	2,000	682,989
Fiscal	315,525	23,825	33,574	372,924
Operations and maintenance.	712,759	-	2,695	715,454
Pupil transportation	581,307	-	98,024	679,331
Food service operations	-	-	265,795	265,795
Extracurricular activities.	208,483	-	107,377	315,860
Facilities acquisition and construction	-	-	479,836	479,836
Debt service:				
Principal retirement	-	-	81,202	81,202
Interest and fiscal charges	-	-	23,683	23,683
Total expenditures	<u>5,954,786</u>	<u>1,410,333</u>	<u>1,520,201</u>	<u>8,885,320</u>
Excess of revenues over (under) expenditures	<u>146,651</u>	<u>12,507</u>	<u>(404,258)</u>	<u>(245,100)</u>
Other financing sources (uses):				
Transfers in	-	-	53,709	53,709
Transfers (out).	(53,709)	-	-	(53,709)
Proceeds from sale of capital assets.	1,694	-	25	1,719
Total other financing sources (uses)	<u>(52,015)</u>	<u>-</u>	<u>53,734</u>	<u>1,719</u>
Net change in fund balances	94,636	12,507	(350,524)	(243,381)
Fund balances (deficit) at beginning of year (restated)	<u>297,698</u>	<u>(7,382)</u>	<u>503,765</u>	<u>794,081</u>
Fund balances at end of year.	<u>\$ 392,334</u>	<u>\$ 5,125</u>	<u>\$ 153,241</u>	<u>\$ 550,700</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Net change in fund balances - total governmental funds	\$	(243,381)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$457,000) exceed depreciation expense (\$249,156) in the current period.		207,844
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(42,690)
Repayment of bond, capital lease, and lease purchase principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		81,202
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.		444
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		57,132
Change in net assets of governmental activities	\$	60,551

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 2,848,384	\$ 2,933,108	\$ 2,933,108	\$ -
Tuition.	125,010	128,755	128,755	-
Earnings on investments.	12,404	11,826	12,776	950
Other local revenues	24,729	25,470	25,470	-
Intergovernmental - Intermediate	18,025	18,565	18,565	-
Intergovernmental - State	2,887,901	2,974,408	2,974,408	-
Total revenue	<u>5,916,453</u>	<u>6,092,132</u>	<u>6,093,082</u>	<u>950</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,522,452	2,301,303	2,306,554	(5,251)
Special.	491,685	494,670	494,670	-
Vocational.	180,430	186,524	186,764	(240)
Support services:				
Pupil.	144,777	189,086	189,392	(306)
Instructional staff	158,789	184,647	184,927	(280)
Board of education	38,736	107,941	107,941	-
Administration.	638,500	658,822	659,617	(795)
Fiscal	299,497	313,368	312,584	784
Operations and maintenance.	695,166	662,067	689,389	(27,322)
Pupil transportation	529,370	575,044	575,044	-
Extracurricular activities.	199,034	208,923	208,923	-
Total expenditures	<u>5,898,436</u>	<u>5,882,395</u>	<u>5,915,805</u>	<u>(33,410)</u>
Excess of revenues over (under) expenditures.	<u>18,017</u>	<u>209,737</u>	<u>177,277</u>	<u>(32,460)</u>
Other financing sources (uses):				
Refund of prior year expenditure.	3,616	3,724	3,724	-
Refund of prior year receipts.	-	(72)	(72)	-
Transfers in.	24,807	25,550	25,550	-
Transfers (out)	(20,000)	(77,709)	(77,709)	-
Proceeds from sale of capital assets.	2,563	2,640	2,640	-
Total other financing sources (uses)	<u>10,986</u>	<u>(45,867)</u>	<u>(45,867)</u>	<u>-</u>
Net change in fund balance	29,003	163,870	131,410	(32,460)
Fund balance at beginning of year.	1,282,192	1,282,192	1,282,192	-
Prior year encumbrances appropriated	34,230	34,230	34,230	-
Fund balance at end of year	<u>\$ 1,345,425</u>	<u>\$ 1,480,292</u>	<u>\$ 1,447,832</u>	<u>\$ (32,460)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
EMERGENCY LEVY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 1,218,729	\$ 1,261,203	\$ 1,261,203	\$ -
Intergovernmental - State	<u>156,193</u>	<u>161,637</u>	<u>161,637</u>	<u>-</u>
Total revenue	<u>1,374,922</u>	<u>1,422,840</u>	<u>1,422,840</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,351,691	1,386,257	1,386,257	-
Support services:				
Fiscal	<u>23,231</u>	<u>23,825</u>	<u>23,825</u>	<u>-</u>
Total expenditures	<u>1,374,922</u>	<u>1,410,082</u>	<u>1,410,082</u>	<u>-</u>
Net change in fund balance	-	12,758	12,758	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 12,758</u>	<u>\$ 12,758</u>	<u>\$ -</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 12,088	\$ 15,961
Total assets.	<u>12,088</u>	<u>15,961</u>
Liabilities:		
Due to students	-	\$ 15,961
Total liabilities	<u>-</u>	<u>15,961</u>
Net Assets:		
Held in trust for scholarships	12,088	
Total net assets	<u>\$ 12,088</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Private-Purpose Trust
	Scholarship
Additions:	
Gifts and contributions.	\$ 14,645
Total additions.	14,645
Deductions:	
Scholarships awarded	13,307
Change in net assets	1,338
Net assets at beginning of year	10,750
Net assets at end of year	\$ 12,088

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Jackson-Milton Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education and is responsible for providing public education to residents of the District.

The District ranks as the 523rd largest among the 613 public school districts in the state. Average daily membership at June 30, 2004 was 890. The District employs 65 certified employees and 48 non-certified employees.

Management believes the financial statements included in this report represent all of the funds of the District over which the District has the ability to exercise direct operating control.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, preschool, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; (2) the District is legally entitled to or can otherwise access the organization's resources; (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

JOINTLY GOVERNED ORGANIZATIONS

Area Cooperative Computerized Educational Service System (ACCESS)

The District is a member of ACCESS, a not-for-profit computer service, jointly governed organization which provides computer services to the school districts within the boundaries of Mahoning and Columbiana Counties. Each District's superintendent serves as a representative on the Board which consists of approximately 24 member districts. However, the degree of control exercised by any participating school district is limited to its representation on the Board.

Mahoning County Career & Technical Center

The Mahoning County Career & Technical Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of representatives from the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Treasurer of the Career & Technical Center, at 7300 North Palmyra Road, Canfield, Ohio 44406.

PUBLIC ENTITY RISK POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

Mahoning County School Employees Insurance Consortium

The Mahoning County School Employees Insurance Consortium is a shared risk pool comprised of fourteen Mahoning County School Districts. The Consortium is governed by an assembly which consists of one representative from each participating School District (usually the superintendent or a designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises controls over the operations of the Consortium. All Consortium revenues are generated from charges for services and remitted to the fiscal agent, Austintown Local School District. The fiscal agent will then remit the charges for services to Professional Risk Management (PRM), who acts in the capacity of a third-party administrator (TPA) for claims processing.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Emergency Levy Fund - A fund provided to account for the proceeds from a special levy. Such levy is necessary to satisfy a district's emergency needs or to prevent school closings.

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest, and related costs; (b) financial resources to be used for the acquisition, construction or improvement of capital facilities; and (c) grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for student activities and unclaimed monies.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2004 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Mahoning County Budget Commission for tax rate determination.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2004.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2004, however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

During fiscal year 2004, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The District has invested funds in STAR Ohio during fiscal 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2004.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the private-purpose trust funds. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$12,776, which includes \$2,839 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the Treasurer's investment account at year-end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

Governmental capital assets are those assets generally related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deletions during the year. Donated capital assets are recorded at their fair market values as of the date received. During fiscal year 2004, the District increased its capitalization threshold from \$500 to \$2,500. Improvements are capitalized, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess any infrastructure.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	5 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 10 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities column on the Statement of Net Assets. The District has no interfund balances.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2004, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age 50 with at least ten years of service and all employees with twenty years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2004, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

L. Fund Balance Reserves/Designations

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, and prepayments. A portion of fund balance has been designated for budget stabilization.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

O. Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

P. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a textbook reserve and capital acquisition reserve. These reserves are required by state statute. The District has no restricted assets in the general fund. A schedule of statutory reserves is presented in Note 17.

Q. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2004.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles and Restatement of Fund Balance

For fiscal year 2004, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statements Nos. 37, 38, 39 and 41.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures. GASB Statement No. 39 further defines the guidelines of GASB Statement No. 14, "The Financial Reporting Entity."

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparison for the general and each major special revenue fund.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The government-wide financial statements show the District's programs for governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting.

Governmental Activities - Fund Reclassification and Restatement of Fund Balance - Certain funds have been reclassified to properly reflect their intended purpose in accordance with the Standards of GASB Statement No. 34. It was also determined that GASB Interpretation No. 6 had an effect on fund balance as previously reported at June 30, 2003.

The fund reclassifications and the implementation of GASB Interpretation No. 6 had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	Emergency <u>Levy</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance June 30, 2003	\$ 379,096	\$ (7,382)	\$ 513,829	\$ 885,543
Fund reclassifications	-	-	(10,064)	(10,064)
Implementation of GASB Interpretation No. 6	<u>(81,398)</u>	<u>-</u>	<u>-</u>	<u>(81,398)</u>
Restated fund balance, June 30, 2003	<u>\$ 297,698</u>	<u>\$ (7,382)</u>	<u>\$ 503,765</u>	<u>\$ 794,081</u>

The transition from governmental fund balance to net assets of the governmental activities is presented as follows:

	Total
Restated fund balance, June 30, 2003	\$ 794,081
GASB 34 adjustments:	
Long-term (deferred) assets	511,460
Capital assets	1,570,871
Accrued interest payable	(1,718)
Pension obligation	(72,315)
Long-term liabilities	<u>(1,204,128)</u>
Governmental activities net assets, June 30, 2003	<u>\$ 1,598,251</u>

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2004 included the following individual fund deficits:

	Deficit
<u>Nonmajor Funds</u>	
Management Information Systems	\$ 3,154
Entry Year Programs	8
Disadvantaged Pupil Impact Aid	9,187
SchoolNet Professional Development	12
Title VI-B	43
Title I	14,372
Improving Teacher Quality	987

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances are the result of adjustments for accrued liabilities.

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the finance institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not the exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements".

Deposits: At year-end, the carrying amount of the District's deposits was \$(128,806) and the bank balance was \$14,680. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the District's bank accounts. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements which are reported as "investments". \$1,338 was covered by federal depository insurance, and \$13,342 (a payroll clearing sweep bank account) was not collateralized.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

Investments: The District's investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at fiscal year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name. Investments in STAR Ohio are not categorized as they are not evidenced by securities that exist in physical or book entry form.

	Category 3	Reported Amount	Fair Value
Repurchase agreement	<u>\$ 1,847,521</u>	\$ 1,847,521	\$ 1,847,521
Investment in STAR Ohio		865	865
Total investments		<u>\$ 1,848,386</u>	<u>\$ 1,848,386</u>

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$ 1,719,580	\$ -
Investments of the cash management pool:		
Repurchase agreement	(1,847,521)	1,847,521
Investment in STAR Ohio	(865)	865
GASB Statement No. 3	<u>\$ (128,806)</u>	<u>\$ 1,848,386</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2004 consisted of the following, as reported on the fund financial statements:

Transfers from General fund to:	
Nonmajor Governmental funds	\$ 53,709

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2004, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Mahoning County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue. There was no tax advances available at June 30, 2004.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second Half Collections		2004 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 114,900,330	81.89	\$ 118,072,400	83.16
Public utility personal	9,017,170	6.43	8,706,870	6.13
Tangible personal property	<u>16,380,699</u>	<u>11.68</u>	<u>15,207,102</u>	<u>10.71</u>
Total	<u>\$ 140,298,199</u>	<u>100.00</u>	<u>\$ 141,986,372</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$47.70		\$47.35	
Permanent improvements	\$2.40		\$2.40	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2004 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental Activities:	
Taxes	\$ 4,881,518
Accounts	11,962
Intergovernmental	<u>31,382</u>
Total	<u>\$ 4,924,862</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 8 - CAPITAL ASSETS

- A. The capital asset balances of governmental activities have been restated at June 30, 2003 due to changes in the District's capital asset policy (see Note 2.H), to include land values not reported in the prior year, to depreciate governmental capital assets in accordance with GASB Statement No. 34, and for errors and omissions reported in the prior year.

	<u>Balance</u>	<u>Adjustments</u>	<u>Restated</u> <u>Balance</u>
	<u>June 30, 2003</u>		<u>June 30, 2003</u>
Governmental Activities			
Capital assets, not being depreciated:			
Land	\$ -	\$ 158,231	\$ 158,231
Total capital assets, not being depreciated	-	158,231	158,231
Capital assets, being depreciated:			
Land improvements	479,964	(72,569)	407,395
Buildings and improvements	3,917,165	(658,757)	3,258,408
Furniture and equipment	999,537	140,639	1,140,176
Vehicles	746,427	(31,436)	714,991
Total capital assets, being depreciated	6,143,093	(622,123)	5,520,970
<i>Less: accumulated depreciation:</i>	-	(4,108,330)	(4,108,330)
Governmental activities capital assets, net	\$ 6,143,093	\$ (4,572,222)	\$ 1,570,871

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 8 - CAPITAL ASSETS - (Continued)

B. Capital asset activity for the fiscal year ended June 30, 2004 was as follows:

	Restated Balance <u>July 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2004</u>
<i>Governmental Activities</i>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 158,231	\$ 307,000	\$ -	\$ 465,231
Total capital assets, not being depreciated	<u>158,231</u>	<u>307,000</u>	<u>-</u>	<u>465,231</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	407,395	-	-	407,395
Buildings and improvements	3,258,408	-	-	3,258,408
Furniture and equipment	1,140,176	-	-	1,140,176
Vehicles	<u>714,991</u>	<u>150,000</u>	<u>-</u>	<u>864,991</u>
Total capital assets, being depreciated	<u>5,520,970</u>	<u>150,000</u>	<u>-</u>	<u>5,670,970</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(159,262)	(21,333)	-	(180,595)
Buildings and improvements	(2,674,056)	(56,351)	-	(2,730,407)
Furniture and equipment	(852,572)	(107,487)	-	(960,059)
Vehicles	<u>(422,440)</u>	<u>(63,985)</u>	<u>-</u>	<u>(486,425)</u>
Total accumulated depreciation	<u>(4,108,330)</u>	<u>(249,156)</u>	<u>-</u>	<u>(4,357,486)</u>
Governmental activities capital assets, net	<u>\$ 1,570,871</u>	<u>\$ 207,844</u>	<u>\$ -</u>	<u>\$ 1,778,715</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 154,060
Vocational	663

Support Services:

Instructional staff	20,783
Administration	6,535
Operations and maintenance	659
Pupil transportation	63,985

Food service operations 2,471

Total depreciation expense \$ 249,156

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior fiscal years, the District entered into a lease for the acquisition of computers. This lease agreement meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease, generally, as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$217,047. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2004 totaled \$40,202 paid by the permanent improvement fund (a nonmajor governmental fund).

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2004:

Fiscal Year Ending June 30,	Amount
2005	\$ 49,841
2006	<u>49,841</u>
Total minimum lease payments	99,682
Less: amount representing interest	<u>(10,100)</u>
Total	<u>\$ 89,582</u>

NOTE 10 - LEASE-PURCHASE AGREEMENT

On June 5, 2003, the District entered into a \$307,000 lease-purchase agreement with the Columbus Regional Airport Authority to finance the acquisition of real property in the amount of 102.3 acres for the site of a new high school campus, the construction of pavement, and site improvements thereto. The source of revenue to fund the principal and interest payments is derived from general operating revenues of the District. During fiscal year 2004, the District made \$6,000 of principal payments on the lease-purchase agreement.

A liability in the amount of the present value of minimum lease payments has been recorded in the general long-term obligations account group. Capital assets consisting of land and land improvements have been capitalized in the amount of \$307,000.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 10 - LEASE-PURCHASE AGREEMENT - (Continued)

The following is a schedule of the future principal lease payments required under the lease-purchase agreement as of June 30, 2004.

Fiscal Year Ending June 30	Amount
2005	\$ 6,000
2006	7,000
2007	7,000
2008	7,000
2009	7,000
2010 - 2014	42,000
2015 - 2019	49,000
2020 - 2024	59,000
2025 - 2029	69,000
2030 - 2032	48,000
Total	\$ 301,000

The interest payments are variable based upon the “TBMA Index”, which shall mean the rate of interest established as the weekly high grade market index comprised of 7-day tax exempt variable rate demand notes. The TBMA Index is published weekly and reset each Wednesday by TBMA-Municipal Market Data as the TBMA Municipal Swap Index, as determined by a Calculation Agent pursuant to the related Swap Agreement. In the event such rate is no longer determined, the TBMA Index will be deemed to be the Kenny Index (as defined in the ISDA 1992 Municipal Counterparty Definitions), and in the event the Kenny Index is no longer available, the related Swap Counterparty, in consultation with the Administrator, will select or calculate a comparable index. Therefore, the future interest component of the lease payment is not reflected.

NOTE 11 - LONG-TERM OBLIGATIONS

- A. The District has two long-term debt obligations outstanding at June 30, 2004. They include a general obligation bond and an energy conservation note. The general obligation bond outstanding, issued to provide funds for the acquisition of school buses, is a general obligation of the District for which the full faith and credit of the District is pledged for repayment.

The energy conservation notes were issued pursuant to Section 3313.372 of the Ohio Revised Code in anticipation of energy cost savings to be realized from energy conservation projects under House Bill 264.

Payments of principal and interest relating to these liabilities are recorded as expenditures in the debt service fund.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is a description of the District's long-term obligations outstanding as of June 30, 2004:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Outstanding July 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding June 30, 2004</u>	<u>Amounts Due in One Year</u>
Governmental Activities:							
General obligation bond	4.25-5.75%	09/01/04	\$ 40,000	\$ -	\$ (20,000)	\$ 20,000	\$ 20,000
Energy conservation notes	5.50%	06/01/13	<u>220,004</u>	<u>-</u>	<u>(15,000)</u>	<u>205,004</u>	<u>20,000</u>
Total long-term obligations, governmental activities			<u>\$ 260,004</u>	<u>\$ -</u>	<u>\$ (35,000)</u>	<u>\$ 225,004</u>	<u>\$ 40,000</u>

The following is a description of the District's future annual debt service requirements to amortize the general obligation bond outstanding at June 30, 2004:

<u>Fiscal Year Ending</u>	<u>Principal on Bond</u>	<u>Interest on Bond</u>	<u>Total</u>
2005	<u>\$ 20,000</u>	<u>\$ 575</u>	<u>\$ 20,575</u>
Total	<u>\$ 20,000</u>	<u>\$ 575</u>	<u>\$ 20,575</u>

The following is a description of the District's future annual debt service requirements to amortize the energy conservation notes outstanding at June 30, 2004:

<u>Fiscal Year Ending</u>	<u>Principal on Bond</u>	<u>Interest on Bond</u>	<u>Total</u>
2005	\$ 20,000	\$ 11,275	\$ 31,275
2006	20,000	10,175	30,175
2007	20,000	9,075	29,075
2008	20,000	7,975	27,975
2009	20,000	6,875	26,875
2010 - 2013	<u>105,004</u>	<u>14,850</u>	<u>119,854</u>
Total	<u>\$ 205,004</u>	<u>\$ 60,225</u>	<u>\$ 265,229</u>

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

- B.** The balance of the District's governmental activities long-term obligations at June 30, 2003 has been restated. The compensated absences liability increased \$72,741 from \$529,769 to \$602,510 due to the implementation of GASB Interpretation No. 6 and due to fund reclassifications described in Note 3.A. In addition, pension obligations of \$65,340 at June 30, 2003 are not reported as a component of governmental activities long-term obligations as they are paid within one year of fiscal year-end. Pension obligations are reported separately on the statement of net assets. The effect on the total governmental activities long-term obligations at July 1, 2003 was an increase of \$7,401 from \$1,291,897 to \$1,299,298. During the fiscal year 2004, the following changes occurred in governmental activities long-term obligations:

	Balance	Additions	Reductions	Balance	Amounts
	July 1, 2003			June 30, 2004	Due in
					One Year
Governmental Activities					
Compensated absences payable	\$ 602,510	\$ 59,981	\$ (62,179)	\$ 600,312	\$ 186,920
General obligation bonds	40,000	-	(20,000)	20,000	20,000
Energy conservation notes	220,004	-	(15,000)	205,004	20,000
Lease purchase agreement	307,000	-	(6,000)	301,000	6,000
Capital lease obligation	129,784	-	(40,202)	89,582	43,187
	<u>1,299,298</u>	<u>59,981</u>	<u>(143,381)</u>	<u>1,215,898</u>	<u>276,107</u>
Total business-type activities long-term liabilities	<u>\$ 1,299,298</u>	<u>\$ 59,981</u>	<u>\$ (143,381)</u>	<u>\$ 1,215,898</u>	<u>\$ 276,107</u>

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2004 are a voted debt margin of \$12,778,773 and an unvoted debt margin of \$141,986.

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive commercial insurance coverage for real property, building contents, vehicles, boilers, electronic data processing equipment, and instruments. The comprehensive commercial insurance coverage limits are \$16,780,600 and a deductible of \$1,000. The business auto coverage limits are \$1,000,000 for liability and uninsured motorists.

The District has a liability insurance coverage limit of \$1,000,000 per claim and \$5,000,000 annual aggregate.

Settled claims have not exceeded this commercial coverage in any of the past three years.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 12 - RISK MANAGEMENT - (Continued)

B. Mahoning County School Employees Insurance Consortium

The District has joined together with other school districts in Mahoning County to form the Mahoning County School Employees Insurance Consortium, a public entity shared risk pool, currently operating as a common risk management and insurance program for 14 member school districts. The plan was organized to provide life insurance, health care, and other benefits to its member organizations.

Rates are calculated and set through an annual update process. The District pays a monthly contribution which is placed in a common fund from which claims payments are made for all participating districts and claims flow. The District is responsible for paying health plan claims up to \$135,000 per individual per year. Any claims exceeding the \$135,000 is covered by the District's stop-loss carrier.

The District pays the insurance premiums for the classified employees. The District pays the health insurance premiums for the certified employees, except for \$10 per month for single coverage and \$25 per month for family coverage, which is paid by the employees.

The health and dental coverage is administered by Professional Risk Management, a third party administrator. National Insurance Services provides the life insurance coverage.

C. Workers' Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (see Note 2.A.). The GRP's business and affairs are conducted by a three member board of directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP. Each year, the District pays an enrollment fee to the GRP to cover the costs of administering the program.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$134,450, \$136,858, and \$121,111, respectively; 36.76% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$85,020 represents the unpaid contribution for fiscal year 2004.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2004 and 2003, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$449,219, \$454,276, and \$414,297, respectively; 83.62% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$73,568 represents the unpaid contribution for fiscal year 2004. Contributions to the DC and Combined Plans for fiscal 2004 were \$559 made by the District and \$555 made by plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2004, certain members of the Board of Education have elected Social Security. The District's liability is 6.20 percent of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$32,087 during fiscal 2004.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

For this fiscal year, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$67,941 during the 2004 fiscal year.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

	<u>General Fund</u>	<u>Emergency Levy Fund</u>
Budget basis	\$ 131,410	\$ 12,758
Net adjustment for revenue accruals	8,355	-
Net adjustment for expenditure accruals	(77,584)	(251)
Net adjustment for other financing sources/uses	(6,148)	-
Adjustment for encumbrances	<u>38,603</u>	<u>-</u>
GAAP basis	<u>\$ 94,636</u>	<u>\$ 12,507</u>

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

C. State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 17 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2004, the reserve activity was as follows:

	<u>Instructional Materials</u>	<u>Capital Maintenance</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 2003	\$ (103,462)	\$ -	\$ 264,284
Current year set-aside requirement	123,676	123,676	-
Qualifying disbursements	<u>(212,006)</u>	<u>(654,838)</u>	<u>-</u>
Total	<u>\$ (191,792)</u>	<u>\$ (531,162)</u>	<u>\$ 264,284</u>
Cash balance carried forward to FY2005	<u>\$ (191,792)</u>	<u>\$ -</u>	<u>\$ 264,284</u>

The District had qualifying disbursements during the year that reduced the instructional materials and capital maintenance set-aside amounts below zero. The negative amount for the instructional materials set-aside may be used to offset set-aside requirements of future years and, therefore, is presented as being carried forward to fiscal year 2005. The negative amount for the capital maintenance set-aside may not be used to offset set-aside requirements of future years and, therefore, is not presented as being carried forward to fiscal year 2005.

A schedule of designated assets at June 30, 2004 is as follows:

Amount designated for budget stabilization	<u>\$ 264,284</u>
Total designated assets	<u>\$ 264,284</u>

NOTE 18 - OPERATING LEASE

The District entered into a 66-month photocopy machines lease and maintenance agreements with COMDOC for \$1,485 a month, commencing on April 1, 2000. The following is a schedule of the future minimum lease payments:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2005	\$ 17,820
2006	<u>4,455</u>
Total present value of minimum lease payments	<u>\$ 22,275</u>

NOTE 19 - SIGNIFICANT SUBSEQUENT EVENT

On the May 6, 2006 ballot is a 5.8 mill levy for the construction of a new facility for grades 6-12 at an approximate cost of \$14,500,000.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Jackson Milton Local School District
Mahoning County
14110 Mahoning Avenue
North Jackson, Ohio 44451

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson Milton Local School District (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 14, 2006, wherein we noted the District adopted Government Accounting Standards Board (GASB) Statement No. 34 and GASB Interpretation No. 6. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated February 14, 2006, we reported another matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Jackson Milton Local School District
Mahoning County
Independent Accountants' Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management and the Board of Education. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 14, 2006



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

JACKSON MILTON LOCAL SCHOOL DISTRICT

MAHONING COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 4, 2006**